Skiff Medical Center

Newton, Iowa

Basic Financial Statements and Supplementary Information
June 30, 2012 and 2011

Together with Independent Auditor's Report

Skiff Medical Center

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Skiff Medical Center

Officials
June 30, 2012

Board of Trustees	Title	Term Expires
Debby Pence	Chair	December 2015
Jeff King, Ph.D	Vice Chair	December 2015
Lois Vogel	Secretary	December 2013
Larry DeCook, OD	Member	December 2013
Rick Hartz	Member	December 2015

Medical Center Officials	Title
Steve Long	President and CEO
Brett Altman	Clinical Operations Officer
Mike Anderson	Chief Financial Officer
Mary Swoboda	Chief Nursing Officer

SEIM JOHNSON

In dependent Auditor's Report

To the Board of Trustees of
Skiff Medical Center
Newton, Iowa:

We have audited the accompanying basic financial statements of Skiff Medical Center (Medical Center) as of and for the years ended June 30, 2012 and 2011. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skiff Medical Center as of June 30, 2012 and 2011, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued for the year ended June 30, 2012 our report dated October 22, 2012 on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 8, and the Schedule of Funding Progress for the Retiree Health Plan and Budgetary Comparison Information on pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Medical Center's basic financial statements. The supplementary information included in Exhibits 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Exhibits 1 through 6 are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska,
October 22, 2012.

Seim Johnson, LLP › 18081 Burt Street, Suite 200 › Omaha, NE 68022-4722 › Tel: 402.330.2660 › Fax: 402.330.5108 › SeimJohnson.com

As management of Skiff Medical Center (Medical Center), we offer readers of the Medical Center's financial statements this narrative overview and analysis of the Medical Center's financial performance during the fiscal years ending June 30, 2012, 2011 and 2010. Please read it in conjunction with the Medical Center's financial statements, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditors report and the basic financial statements of the Medical Center. The financial statements also include notes that explain in more detail some of the information in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements of the Medical Center report information using accounting methods similar to those used by private sector companies. These statements offer short-and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). It also provides the basis for evaluating the capital structure of the Medical Center and assessing the liquidity and financial flexibility of the Medical Center.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net assets. This statement measures the success of the Medical Center's operations over the past year and can be used to determine whether the Medical Center has successfully recovered all its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, non-capital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE MEDICAL CENTER

The balance sheet and the statement of revenues, expenses, and changes in net assets report the net assets of the Medical Center and the changes in them. The Medical Center's net assets-the difference between assets and liabilities-are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Medical Center's net assets are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth and new or changed governmental legislation, should also be considered.

NET ASSETS

A summary of the Medical Center's balance sheets at June 30, 2012, 2011 and 2010 are presented in Table 1 below:

Table 1- Condensed Balance Sheets (In Thousands)

		June 30, 2012	June 30, 2011	June 30, 2010
Current and other assets	$	12,702	11,529	10,340
Capital assets		18,268	15,973	17,224
Total assets		31,373	27,502	27,564
Long-term debt outstanding		3,293	575	292
Other liabilities		2,985	2,778	2,432
Total liabilities		6,278	3,353	2,724
Invested in capital assets, net of related debt		14,975	15,398	16,931
Unrestricted		9,760	8,709	7,875
Restricted		50	41	34
Total net assets	$	25,095	24,148	24,840

Total net assets increased by $947,000 to $25.1 million in FY 2012. Total net assets at the end of FY '10 and FY '11 were $24.8 million and $24.1 million, respectively. The FY '12 increase is primarily a result of a targeted effort to improve both our facility and equipment (primarily in radiology).

REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

The following table presents a summary of the Medical Center's historical revenues and expenses for each of the fiscal years ended June 30, 2012, 2011 and 2010.

Table 2- Condensed Statements of Revenue, Expenses, and Changes in Net Assets (In Thousands)

	2012	2011	2010
Net patient service revenue	$ 35,145	31,456	30,315
Other operating revenue	3,057	1,418	1,436
Total revenue	38,202	32,874	31,751
Operating expenses:			
Salaries	17,624	16,694	17,369
Employee benefits	6,073	5,190	4,944
Purchased services and professional fees	2,885	2,839	3,193
Utilities	750	780	873
Supplies and other expense	7,203	6,591	6,318
Depreciation and amortization	2,583	2,322	2,452
Insurance	266	195	183
Interest	39	22	16
Total operating expenses	37,423	34,633	35,348
Operating income (loss)	779	(1,759)	(3,597)
Non-operating gain (loss) - Investment income (loss)	(11)	897	434
Excess of revenues over expenses before contributions/grants	768	(862)	(3,163)
Grants and contributions	179	170	4
Increase (decrease) in net assets	947	(692)	(3,159)
Total net assets, beginning	24,148	24,840	27,999
Total net assets, ending	$ 25,095	24,148	24,840

Operating and Financial Performance

The following summarizes the Medical Center's statements of revenue, expenses, and changes in fund equity between June 30, 2012, June 30, 2011 and June 30, 2010.

Volume:

Inpatient utilization of swing beds increased over 200% from FY11 to FY12. The average length of stay also increased. Outpatient departments demonstrating growth in FY12 are: ER visits up 4%, MRI procedures up 19%, Ultrasound procedures up 4%, Laboratory procedures up 6%, Physical Therapy up 19% and Occupational Therapy up 91%.

Net Patient Service Revenue:

Gross patient service revenue increased 10.9%: Swing bed revenue increased 185.2%, Outpatient revenue increased 12.8%, inpatient revenue increased 1%, Home Health revenue was down 13.5% and Hospice revenue was down 3.5%. Net patient services revenue increased $3,915,365. Contractual adjustments as a percent of charge decreased 1.7% from 49.4% to 47.7%.

The following table presents the relative percentages of gross charges billed for patient services by payer for the years ended June 30, 2012, 2011 and 2010.

Table 3- Payor Mix by Percentage

Year Ended June 30,	2012	2011	2010
Medicare	46.4%	46.5%	43.8%
Wellmark / Blue Cross	19.8%	19.4%	20.4%
Commercial	19.6%	19.4%	20.4%
Medicaid	10.7%	10.6%	11.3%
Self Pay	3.5%	4.1%	4.1%
Total	100.0%	100.0%	100.0%

Other Operating Revenue:

An increase of $1,412,445 in FY '12 versus prior year was due to the receipt of Government Sponsored Reimbursement Programs.

Total Operating Expense:

- **Salaries:** Salary expense for FY 2012 was $17,623,861. FY 2011 was $16,694,388, resulting in an increase of $929,473. This increase was driven by an increase in nurses on the Med-Surg unit, increased staff in the Colfax Clinic, the hiring of a CRNA and an Occupational Therapist.

- **Employee Benefits:** Employee benefit expense increased $882,401 or 17.0% from $5,190,277 in FY 2011 to $6,072,678 in FY 2012. This increase was due primarily to the increase in government mandated IPERS contributions and an increase in Employee Health Insurance claims.

- **Supplies and Other Expenses:** Total supplies and other expenses increased from $6,590,551 in FY 2011 to $7,203,606 in FY 2012, a rise of $613,055 or 9.3%. Increased prices for pharmaceuticals and blood products were the main drivers of this increase.

- **Depreciation Expense:** Depreciation expense increased $260,685 or 11.2% from $2,322,022 in FY 2011 to $2,582,707 in FY 2012 due to the addition of $4,886,066 of fixed assets.

- **Non-operating Gain/ (Loss):** Overall, Skiff Medical Center realized a non-operating loss of $10,812 in FY 2012 versus a non-operating gain of $897,071 in FY 2012. In FY 2012, Skiff Medical Center chose to make our portfolio more liquid due to the increased volatility and instability in fair market value of marketable equity securities. The portion of investment portfolio mix in equities objective during FY 2012 has been reduced from 60% to 50% in May 2012 and further reduced in June 2012 to 25% equities. As a result gains from investments varied dramatically from $869,292 in FY 2011 to $6,163 in FY2012.

CAPITAL ASSETS

Skiff Medical Center invested a net of $2.3 million dollars in capital assets this fiscal year. This includes additions of $4,886,066 less assets retired throughout the year of $2,129,224. Investments were made to improve our inpatient monitoring equipment and to upgrade our radiology equipment to state of the art imaging equipment. Remodeling was also completed in several areas including Radiology, Centralized Scheduling, Health Information Management, Med/Surg West and the Emergency Department.

DEBT ADMINISTRATION

Capital Leases

The outstanding long term debt increased from $574,658 in FY 2011 to $3,292,956 in FY 2012. This is due to the changes in the capital assets listed above.

ECONOMIC FACTORS

The economy of Newton continues to mend slowly. The unemployment rate in the county decreased from 8.1% in 2010 to 7.6% in 2011 and currently stands at 6.9%. Even with this improvement, Jasper County still ranks as sixth highest in the state in terms of unemployment.

Though Newton and Jasper County are now essentially operating as a far-flung eastern suburb of Des Moines, there is continued growth in local industry. TPI, a manufacturer of blades for large wind turbines now employs nearly 1,000 people. Trinity, a manufacturer of wind towers employees another 200 workers. New firms entering the local market in the last year include WG Anderson, a cereal box manufacturer (45 jobs), and Hawkeye Stages, a charter bus company (15 jobs). In addition, a local company, Springboard Engineering, was acquired by Underwriters Laboratory and has doubled the number of employees (75) and space occupied. New firms announcing the purchase or lease of space in Newton include Pace Manufacturing (30 jobs) and Advance Wheel Sales (20 jobs). A few new retail stores and restaurants have opened and there are several new housing starts as well. The overall mood of the business community has improved significantly as evidenced in the 40% growth in membership in the local chamber of commerce.

The city is completing its first comprehensive planning program since 1997 and is setting a vision for Newton that is extremely positive and focuses on the following elements:

- Grow Newton's population, specifically targeting young families
- Increase employment opportunities
- Improve the city's curb appeal
- Fill vacant buildings, and increase local shopping options

The plan also includes a set of nine guiding principles ranging from economic development, to education, to health and healthcare. The commitment of the city to the hospital is evident in the following excerpt from the guiding principle on healthcare: "Newton will support the local hospital and health care providers and recognizes that maintaining Skiff Medical Center is of utmost importance for the community."

As part of the hospital's strategic planning update process in early 2012, a survey of community leaders was completed. The city planner indicated that he was impressed with the positive changes at Skiff and believed that, as the third largest employer in the county, the hospital should include economic development in future planning efforts. The Board of trustees and administration took this to heart and updated the plan to include a sixth element. The full plan includes the following points:

1. Put people first by fostering a culture of ownership focused on our fundamental values with a shared hopefulness on the part of each caregiver (employee, volunteer, or medical staff member), having a desire to make Skiff the best possible place to work and provide patient care.
2. Identify opportunities to partner with other organizations to provide existing or new service lines in a manner which enhances the level of service provided to patients, and broadens our economic impact on the communities we serve.
3. Continuously evaluate our services based on environmental trends, community needs, and financial performance to ensure we are providing core hospital services to the best of our ability and filling a niche in areas where we have, or can develop, specific expertise.
4. Build confidence in our abilities by:
    a. Improving our ability to handle higher acuity patients in the in-patient environment as we seek to grow the in-patient practice and keep patient care local.
    b. Developing advanced diagnostic and therapeutic capabilities to ensure local access to the highest level of care in both the inpatient and outpatient environments.
    c. Ensuring the appropriate number and type of medical providers are available in our service area by partnering with medical practices to recruit them.
5. Implement benchmarking processes and increase performance in all areas compared to those benchmarks by:
    a. Increasing the quality of, and satisfaction with, the patient care we provide through the implementation of national best practices and benchmarking tools and by creating a sense of urgency throughout Skiff in regards to the importance of keeping our promise to achieve positive care outcomes and exceed the expectations of our patients.
    b. Better manage our resources and reduce our operating costs through the use of operational improvement strategies such as "lean" and labor productivity management and by actively benchmarking our operations against peer institutions.
6. Be intentional in telling the Skiff story to the community and focus our efforts on increasing physician referrals, building good will, and increasing awareness about our service offerings.

With this plan in mind, the hospital developed a strategic relationship with a new company, NewCare Clinics, to develop a multi-specialty group practice in Newton. This new group is in the process of renovating a building near the hospital, recruiting internal medicine and other specialty physicians, and has agreed to acquire the operations of the rural health clinics in Baxter, Colfax and Monroe. The new practice is scheduled to open in early 2013. This new practice should add 5-6 new physicians and approximately 10 additional employees to the city over the next few years.

We believe that continuing implementation of this plan which focuses on creating a culture of ownership, growing volumes, and increasing efficiency of operations will place the hospital in a good position for long term vitality.

FY13 will be a challenging year for the local economy and for the hospital, but it is clear that the hospital and the community are on the right track.

CONTACTING THE MEDICAL CENTER'S FINANCE DEPARTMENT

The Medical Center's financial statements are designed to present users with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability. If you have questions about the report or need additional financial information, please contact Mike Anderson, Chief Financial Officer at 641-791-4886 or via mail at 204 N. 4th Ave. East, Newton, Iowa 50208.

Skiff Medical Center

Balance Sheets
June 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,562,086	1,589,970
Investments limited as to use or restricted	300,000	300,000
Patient receivables, net of allowance for doubtful accounts of $1,291,004 in 2012 and $1,206,738 in 2011	5,066,257	4,283,637
Inventories	512,879	512,592
Prepaid expenses	173,058	166,758
Estimated third-party payor settlements	809,350	--
Total current assets	8,423,630	6,852,957
Investments limited as to use or restricted - less amounts required for current obligations	4,682,000	4,675,837
Capital assets, net	18,267,864	15,972,771
Total assets	$ 31,373,494	27,501,565
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current maturities of long-term debt	$ 789,246	146,537
Accounts payable	860,527	582,711
Accrued expenses -		
Accrued payroll and payroll taxes	460,731	247,907
Accrued employee benefits	1,663,861	1,447,448
Estimated third-party payor settlements	--	500,530
Total current liabilities	3,774,365	2,925,133
Long-term debt, net of current maturities	2,503,710	428,121
Total liabilities	6,278,075	3,353,254
Net assets:		
Invested in capital assets, net of related debt	14,974,908	15,398,113
Restricted, nonexpendable permanent endowment	50,500	41,500
Unrestricted	10,070,011	8,708,698
Total net assets	25,095,419	24,148,311
Total liabilities and net assets	$ 31,373,494	27,501,565

See notes to the financial statements

Skiff Medical Center

Statements of Revenue, Expenses and Changes in Net Assets
For the Years Ended June 30, 2012 and 2011

	2012	2011
OPERATING REVENUE:		
Net patient service revenue, net of provision for bad debts of $2,852,497 in 2012 and $2,391,730 in 2011	$ 35,144,719	31,229,354
Other operating revenue	3,057,356	1,644,911
Total operating revenue	38,202,075	32,874,265
OPERATING EXPENSES:		
Salaries	17,623,861	16,694,388
Employee benefits	6,072,678	5,190,277
Purchased services and professional fees	2,884,949	2,839,683
Utilities	750,099	779,611
Supplies and other expenses	7,203,605	6,590,551
Depreciation and amortization	2,582,707	2,322,022
Insurance	266,249	194,822
Interest	39,256	21,858
Total operating expenses	37,423,404	34,633,212
OPERATING INCOME (LOSS)	778,671	(1,758,947)
NONOPERATING REVENUE (EXPENSES), NET:		
Investment income (loss), net	(10,812)	897,071
EXCESS OF REVENUE OVER (UNDER) EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS AND ADDITIONS TO PERMANENT ENDOWMENTS	767,859	(861,876)
CAPITAL GRANTS AND CONTRIBUTIONS	170,249	162,293
ADDITIONS TO PERMANENT ENDOWMENTS	9,000	8,000
INCREASE (DECREASE) IN NET ASSETS	947,108	(691,583)
NET ASSETS, Beginning of year	24,148,311	24,839,894
NET ASSETS, End of year	$ 25,095,419	24,148,311

See notes to financial statements

Skiff Medical Center

Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients and third-party payors	$ 33,052,219	31,396,940
Cash paid for employee salaries and benefits	(23,267,302)	(22,014,703)
Cash paid to suppliers and contractors	(10,833,673)	(10,468,647)
Other operating receipts	3,015,621	1,644,911
Net cash provided by operating activities	1,966,865	558,501
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Endowment gifts received	9,000	8,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of capital assets	50,000	--
Purchase of capital assets	(1,635,376)	(688,029)
Capital grants and contributions	170,249	162,293
Payments on long term debt	(532,391)	(100,460)
Interest paid on debt	(39,256)	(21,858)
Net cash used in capital and related financing activities	(1,986,774)	(648,054)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Deposits to investments limited as to use, net	(6,163)	(869,292)
Investment income, net	(10,812)	897,071
Net cash provided by (used in) investing activities	(16,975)	27,779
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,884)	(53,774)
CASH AND CASH EQUIVALENTS - Beginning of year	1,589,970	1,643,744
CASH AND CASH EQUIVALENTS - End of year	$ 1,562,086	1,589,970
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Equipment acquired under capital lease obligations	$ 3,250,689	383,066

See notes to financial statements

Skiff Medical Center

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income (loss)	$ 778,671	(1,758,947)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,582,707	2,322,022
Gain on sale of capital assets	(41,735)	--
Interest expense included in operating expenses	39,256	21,858
(Increase) decrease in current assets -		
Patient receivables	(782,620)	(742,255)
Inventories	(287)	(45,764)
Prepaid expenses	(6,300)	87,669
Estimated third-party payor settlements - Medicare and Medicaid	(809,350)	409,311
Increase (decrease) in current liabilities -		
Accounts payable	277,816	(105,885)
Accrued payroll and payroll taxes	212,824	(149,249)
Accrued employee benefits	216,413	19,211
Estimated third-party payor settlements - Medicare and Medicaid	(500,530)	500,530
Net cash provided by operating activities	$ 1,966,865	558,501

See notes to financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

Skiff Medical Center (Medical Center) is a municipal hospital and is an enterprise fund of the City of Newton, Iowa, organized under Chapter 392 of the Code of Iowa and as such, is not subject to taxes on income or property. The Medical Center grants credit to patients, substantially all of whom are residents of Jasper County, Iowa.

The following is a summary of significant accounting policies of Skiff Medical Center (Medical Center). These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Reporting Entity

For financial reporting purposes, the Medical Center has included all the funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate. The Medical Center has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Medical Center are such that exclusion would cause the Medical Center's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Medical Center to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Medical Center. The Medical Center has no component units required to be reported in accordance with the Governmental Accounting Standards Board criteria.

B. Industry Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Medical Center is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Medical Center's financial statements, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

As a result of recently enacted federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over approximately the next decade.

C. Basis of Presentation

The balance sheets display the Medical Center's assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets:

Nonexpendable – Nonexpendable net assets are subject to externally imposed stipulations which require them to be maintained permanently by the Medical Center.

Expendable – Expendable net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. The Medical Center had no expendable restricted net assets at June 30, 2012 and 2011.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

When both restricted and unrestricted resources are available for use, generally it is the Medical Center's policy to use restricted resources first.

D. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

In reporting its financial activity, the Medical Center has elected to apply all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs).

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by the Board of Trustees or donors.

G. Patient Receivables, Net

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables are not assessed interest.

Payments of patient receivables are allocated to the specific claim identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

H. Inventories

Inventories are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases or realizable value.

I. Investments Limited as to Use or Restricted

Investments limited as to use or restricted consist of the following:

By Board of Trustees - Periodically, the Medical Center's Board of Trustees has set aside assets for future capital improvements and expansion and for unexpected fluctuations in self-funded health insurance claims. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes.

By Donor – These funds have been restricted by donors for specific capital improvements and operating expenses of the Medical Center.

J. Capital Assets

Capital assets acquisitions in excess of $5,000 are capitalized and recorded at cost. Donated capital assets are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital leases is amortized on the straight-line method over the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Capital assets are depreciated or amortized using the following asset lives:

Land improvements	5 to 56 years
Buildings	5 to 40 years
Fixed equipment	5 to 30 years
Major movable equipment	3 to 20 years

The Medical Center's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected cash flows is less than the carrying amount of the asset, a loss is recognized.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire ling-lived assets are reported as capital grants and contributions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restriction are reported when the donated or acquired long-lived assets are placed in service.

K. Compensated Absences

Paid time off is accrued as an expense and a liability as earned and may be carried forward by employees up to a specified maximum based upon years of service. The cost of paid time off is recorded as a current liability on the balance sheet. The paid time off liability has been computed based on rates of pay in effect at June 30, 2012 and 2011.

L. Statements of Revenue, Expenses, and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provisions of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenue and expenses.

M. Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and a provision for uncollectible accounts. Retroactive adjustments are accrued on an estimate basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

N. Charity Care

To fulfill its mission of community service, the Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from patient service revenue under the Medical Center's charity care policy amounted to $298,062 and $346,761 for the years ended June 30, 2012 and 2011, respectively.

O. Grants and Contributions

From time to time, the Medical Center receives contributions from Skiff Medical Center Foundation, as well as grants and contributions from individuals, governmental and private organizations. Revenue from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met.

Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

P. Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Q. Reclassification

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 reporting format.

R. Subsequent Events

The Medical Center considered events occurring through October 22, 2012 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

(2) Cash and Investments Limited as to Use or Restricted

The Medical Center's deposits in banks at June 30, 2012 and 2011 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Medical Center is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Medical Center manages the following risks in accordance with their formal investment policy:

Concentration of Credit Risk: The Medical Center's investment policy limits the amounts the Medical Center may investment in any one sector of the market up to 50% of total investments.

Interest Rate Risk: The Medical Center's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Medical Center.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Medical Center's investment policy requires funds to be deposited into the banking institutions that have the ability to collateralize any deposits made in excess of the Federal Deposit Insurance Corporation's insurance limits.

The composition of investments limited as to use or restricted as of June 30, 2012 and 2011 is as follows:

	2012	2011
Investments limited as to use or restricted:		
By Board of Trustees for capital improvements -		
Cash and cash equivalents	$ 711,947	126,948
Certificates of deposit	324,100	304,100
Mutual funds -		
Fixed Income	2,267,294	1,566,505
Equities	1,323,136	2,632,552
Accrued interest	923	132
By Board of Trustees for self funded health insurance claims -		
Certificates of deposit	300,000	300,000
	4,927,400	4,930,237
By Donor:		
Cash and cash equivalents	4,100	4,100
Certificates of deposit	50,500	41,500
	54,600	45,600
Total investments limited as to use or restricted	4,982,000	4,975,837
Less amounts required for current obligations	(300,000)	(300,000)
Long term portion	$ 4,682,000	4,675,837

(3) Patient Receivables

Patient receivables reported as current assets consisted of these amounts:

	2012	2011
Total patient receivables	$ 11,042,187	8,875,828
Less allowance for doubtful accounts	(1,291,004)	(1,206,738)
Less allowance for contractual adjustments	(4,684,926)	(3,385,453)
Net patient receivables	$ 5,066,257	4,283,637

The Medical Center grants credits without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivable from patients and third-party payors was as follows:

	2012	2011
Medicare	31%	32%
Medicaid	10	6
Commercial insurance	37	36
Patients	22	26
	100%	100%

(4) Net Patient Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Effective July 1, 2011, the Medical Center is reimbursed for inpatient acute care and swing-bed services rendered to Medicare program beneficiaries based on Medicare defined costs of providing the services pursuant to the terms of the Rural Community Hospital Demonstration Program. Prior to July 1, 2011, inpatient acute care and swing-bed services rendered to Medicare program beneficiaries are paid at prospectively determined rates per patient classification. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Under a provision of the Balanced Budget Refinement Act (as amended by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the Deficit Reduction Act of 2005) for services furnished before January 1, 2010, the Medical Center's prospectively determined payments for certain outpatient services cannot be less than reimbursement based on annual costs and payment-to-cost ratios of their June 30, 1996 years. Final settlement is determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. Unless extended, after January 1, 2010, the payment for outpatient services is limited to the prospectively determined amounts. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2010.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are paid at prospectively determined rates per outpatient ambulatory patient group.

Blue Cross - Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based upon the lesser of the Medical Center's billed charges, a maximum allowable fee or a percentage of charges.

The Medical Center has also entered into payment agreements with certain health maintenance organizations and a managed care program. The basis for payment to the Medical Center under these agreements includes prospectively determined daily rates, prospectively determined rates for ambulatory surgery services and home health services, and discounts from established rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 51% and 46% of the Medical Center's net patient service revenue for the years ended June 30, 2012 and 2011, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The following illustrates the Medical Center's patient service revenue at its established rates and revenue deductions by major third party payors:

	2012	2011
Gross patient service revenue -		
Inpatient	$ 22,985,248	21,748,383
Outpatient	46,435,551	41,169,190
Home health and hospice	3,227,845	3,540,547
	72,648,644	66,458,120
Deductions from gross patient service revenue -		
Medicare	(18,629,285)	(18,906,408)
Medicaid	(4,899,315)	(4,590,946)
Blue Cross	(6,256,320)	(4,834,367)
Commercial insurance and other	(4,568,446)	(4,158,554)
Charity care	(298,062)	(346,761)
	(34,651,428)	(32,837,036)
Provision for bad debts	(2,852,497)	(2,391,730)
Net patient service revenue	$ 35,144,719	31,229,354

Hospital Health Care Access Assessment Program

In fiscal 2011, the Hospital Health Care Access Assessment Program was implemented in Iowa, which imposes an assessment based on a percent of net patient revenue to non-state owned hospitals paid on Prospective Payment System basis by Medicare and Medicaid. The hospitals will be reimbursed for the amount it paid to the state, plus any additional federal benefits. The hospitals that do not receive full reimbursement, if any, will be held harmless. In order to accomplish this, the hospitals that received more funds than paid in will donate a pro-rata share of the funds to the Iowa Hospital Education and Research Foundation (IHERF), which will distribute the funds to the hospitals that did not receive full reimbursement to make those hospitals whole. The Board of IHERF approved the voluntary contribution and grant program in August 2011. Even though there is no formal agreement among the hospitals to participate in the program, all hospitals have verbally agreed to contribute, if necessary, in order to continue the assessment program in subsequent years.

Under this program, the Medical Center has recorded a payable of $36,373 in estimated third party payor settlements as of June 30, 2012, and $288,082 and $208,777 of reimbursements and $310,537 and $186,322 of assessments for the fiscal years ended June 30, 2012 and 2011, respectively.

(5) Capital Assets

Capital assets and the related accumulated depreciation and amortization are summarized as follows:

	June 30, 2011	Additions	Deletions	Transfers and Disposals	June 30, 2012
Capital assets not being depreciated/amortized:					
Land	$ 2,144,173	--	--	--	2,144,173
Construction in progress	153,035	873,008	--	(934,070)	91,973
Total capital assets not being depreciated/amortized	2,297,208	873,008	--	(934,070)	2,236,146
Capital assets being depreciated/amortized:					
Land improvements	2,241,002	6,000	--	--	2,247,002
Buildings	21,100,298	95,933	--	574,287	21,770,518
Fixed equipment	6,956,051	152,346	--	--	7,108,397
Major moveable equipment including equipment under capital lease	18,155,230	3,758,778	--	(1,769,440)	20,144,568
Total capital assets being depreciated/amortized	48,452,581	4,013,057	--	(1,195,153)	51,270,485
Less accumulated depreciation/amortization:					
Land improvements	1,908,748	99,832	--	--	2,008,580
Buildings	12,268,997	809,158	--	--	13,078,155
Fixed equipment	5,448,298	327,083	--	--	5,775,381
Major moveable equipment including equipment under capital lease	15,150,975	1,346,634	--	(2,120,958)	14,376,651
Total accumulated depreciation/amortization	34,777,018	2,582,707	--	(2,120,958)	35,238,767
Total capital assets being depreciated/amortized, net	13,675,563	1,430,350	--	925,805	16,031,718
Total capital assets, net	$ 15,972,771	2,303,358	--	(8,265)	18,267,864

	June 30, 2010	Additions	Deletions	Transfers and Disposals	June 30, 2011
Capital assets not being depreciated/amortized:					
Land	$ 2,144,173	--	--	--	2,144,173
Construction in Progress	--	169,380	--	(16,345)	153,035
Total capital assets not being depreciated/amortized	2,144,173	169,380	--	(16,345)	2,297,208
Capital assets being depreciated/amortized:					
Land improvements	2,241,002	--	--	--	2,241,002
Buildings	20,883,653	216,645	--	--	21,100,298
Fixed equipment	6,858,643	97,408	--	--	6,956,051
Major moveable equipment including equipment under capital lease	17,551,223	587,662	--	16,345	18,155,230
Total capital assets being depreciated/amortized	47,534,521	901,715	--	16,345	48,452,581
Less accumulated depreciation and amortization:					
Land improvements	1,808,863	99,885	--	--	1,908,748
Buildings	11,449,846	819,151	--	--	12,268,997
Fixed equipment	5,135,488	312,810	--	--	5,448,298
Major moveable equipment including equipment under capital lease	14,060,799	1,090,176	--	--	15,150,975
Total accumulated depreciation/amortization	32,454,996	2,322,022	--	--	34,777,018
Total capital assets being depreciated/amortized, net	15,079,525	(1,420,307)	--	16,345	13,675,563
Total capital assets, net	$ 17,223,698	(1,250,927)	--	--	15,972,771

(6) Long-Term Debt

Long-term debt activity of the Medical Center as of June 30, 2012 and 2011 is summarized as follows:

	Balance July 1, 2011	Additions	Principal Payments	Balance June 30, 2012	Due Within One Year
Obligations under capital leases	$ 574,658	3,250,689	532,391	3,292,956	789,246

	Balance July 1, 2010	Additions	Principal Payments	Balance June 30, 2011	Due Within One Year
Obligations under capital leases	$ 292,052	383,066	100,460	574,658	146,537

Obligations Under Capital Leases

The Medical Center leases various medical equipment and information system hardware and software under capital lease agreements. The property cost and the related liability under each capital lease was recorded at the present value of the future minimum payments due under the lease, as determined with inputed interest rates ranging from 4.4% to 5.0%.

Principal and interest maturities of the capital lease obligations at June 30, 2012 are summarized as follows:

Year	Principal	Interest	Total
2013	$ 789,246	55,073	844,319
2014	804,547	38,698	843,245
2015	740,897	22,964	763,861
2016	688,202	11,427	699,629
2017	270,064	2,624	272,688
	$ 3,292,956	130,786	3,423,742

(7) Other Operating Revenue

Other operating revenue for the years ended June 30, 2012 and 2011 consist of the following:

	2012	2011
CMS Electronic health record incentive payment	$ 1,744,156	226,414
Facilities management	355,126	350,436
Grant revenue for home health services	219,681	352,517
Cafeteria and dietary revenue	210,306	200,864
Lifeline rental	110,888	112,701
Other grant revenue	110,838	74,849
Grants and contributions for hospice services	81,711	204,172
Gain on sale of capital assets	41,735	--
Clinic rental	13,509	57,799
Other	169,406	65,159
	$ 3,057,356	1,644,911

The Health Information Technology for Economic and Clinical Health Act contains specific financial incentives designed to accelerate the adoption of electronic health record (EHR) systems among health care providers. During 2012 and 2011, the Medical Center qualified for the financial incentives payments by attesting it met specific criteria set by the Center for Medicare and Medicaid services (CMS). Management's attestation is subject to audit by the federal government or its designee. The EHR incentive payment will be earned and received through various payments through 2014. The amounts recognized are based on management's best estimates and are subject to change, which would be recognized in the period in which the change occurred. Amounts recognized as incentive payments are included in other operating revenue in the amount of $1,744,156 and $226,414 for the years ended June 30, 2012 and 2011, respectively.

(8) Operating Leases

The Medical Center has entered into a leasing arrangement to lease space in the Medical Arts Building to physicians. The lease requires annual rentals of $30,330 through December 2012.

The Medical Center also leases a portion of its building to a corporation which provides dialysis services. This lease agreement requires annual rents of $43,313 through January 2013. Either party may cancel this lease on February 1 of each year by giving sixty days notice.

The Medical Center has also entered into an arrangement to lease the land upon which the Medical Arts Building was erected to the developer for a term of ninety-nine years beginning January 1, 1993. The lease calls for annual rentals with the rental rate being adjusted every 10 years to reflect any changes in the Consumer Price Index. The current annual rental rate is $6,264, of which the Medical Center is responsible for 59.72% of the annual lease payment. The Developer also requires a monthly assessment payment for utilities, maintenance, and management of the Medical Arts Building. The current monthly assessment payment amounts to $9,347 per month.

(9) Other Postemployment Benefits (OPEB)

Plan Description

The Medical Center operates a single-employer retiree benefit plan which provides medical benefits/prescription drug benefits for retirees and their spouses. There are 238 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a self-insured plan. Retirees under age 65 pay the same contribution for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Medical Center. The Medical Center currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Medical Center's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Medical Center, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Medical Center's annual OPEB cost for the years ended June 30, 2012 and 2011, the amount actually contributed to the plan and changes in the Medical Center's net OPEB obligations:

		2012	2011
Annual required contribution	$	44,630	44,630
Interest on net OPEB obligation		--	(148)
Adjustment to annual required contribution		--	249
Annual OPEB cost		44,630	44,731
Contributions made		32,996	39,777
Decrease in net OPEB obligation		11,634	4,954
Net OPEB obligation (benefit), beginning of year		7	(4,947)
Net OPEB obligation (benefit), end of year	$	11,641	7

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2011. The end of year net OPEB benefit was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

The Medical Center's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB benefit as of June 30, 2012 and 2011 are summarized as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of annual OPEB Cost Contributed		Net OPEB Obligation (Benefit)
June 30, 2011	$	44,731	89%	$	7
June 30, 2012		44,630	74		11,641

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was $428,494 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $428,494. The covered payroll (annual payroll of active employees covered by the plan) was approximately $17,624,000 and the ratio of the UAAL to the covered payroll was 2.4%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the notes to financial statements, will present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the Medical Center's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 4% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Rates for Male and Female. Termination rates were based upon national termination studies performed by the Society of Actuaries, adjusted to reflect the recent lower termination rates experienced by the Medical Center. Retirement rates were developed based upon recent Medical Center experience.

Projected claim costs of the medical plan are $838 per month for retirees less than age 65. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Defined Benefit Pension Plan

The Medical Center contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Medical Center is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Medical Center's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were $1,317,473; $1,098,744; and $1,079,219; respectively, equal to the required contributions for each year.

(11) Self-Insurance

The Medical Center has a self-insurance program for hospitalization and medical coverage for its employees. The Medical Center limits its losses through the use of stop-loss policies from reinsurers. Specific individual losses for claims are limited to $60,000 per year. The Medical Center's aggregate annual loss limitation is limited to 120% of estimated claims each year. The Medical Center's expense under the self-insurance program for the years ended June 30, 2012 and 2011 was $3,165,734 and $2,608,634, respectively.

Cumulative amounts estimated to be payable by the Medical Center with respect to pending and potential claims for all years in which the Medical Center is liable under its self-insurance program have been accrued as liabilities. Such accrued liabilities are necessarily based on estimates; thus, the Medical Center's ultimate liability may exceed or be less than amounts accrued.

During the year ended June 30, 2011, the Board of Trustees designated $300,000 as investments limited as to use for the payment of claims incurred under the self-insurance program.

(12) Malpractice Claims

The Medical Center carries a professional liability policy (including malpractice) providing coverage of $1,000,000 for injuries per occurrence and $3,000,000 aggregate coverage. In addition, the Medical Center carries an umbrella policy which provides $5,000,000 coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force. In the event the Medical Center should elect not to purchase insurance from the present carrier or the carrier should elect not to renew the policy, any unreported claims which occurred during the policy year may not be recoverable from the carrier.

Accounting principles generally accepted in the United States of America require a healthcare provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Medical Center's claims experience, no such accrual has been made.

(13) Related Party Transactions

Because of the existence of common trustees and other factors, the Medical Center and Skiff Medical Center Foundation (Foundation) are related parties. The Foundation was formed to promote the recruitment of medical personnel to practice in Jasper County and the Medical Center for the purpose of maintaining and improving the medical-health care services available to all residents of Jasper County, Iowa.

A summary of the Foundation's assets, liabilities and net assets as of June 30, 2012 and 2011 follows:

		2012	2011
Assets	$	316,047	360,685
Net Assets	$	316,047	360,685

The Foundation contributed $155,065 and $147,696 to the Medical Center during the years ended June 30, 2012 and 2011, respectively, for the purchase of medical and other equipment.

(14) Nonexpendable Permanent Endowment

Nonexpendable permanent endowment consists of contributions from the Geisler Penquite Charitable Corporation. The funds are currently invested in a certificate of deposit. The interest from the funds is to be used for hospice programs as the Board of Trustees shall direct.

(15) Risks and Uncertainties

Regulatory Environment

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of the Medicare Recovery Audit Contract (RAC) program. During fiscal year 2007, the RAC's identified and corrected a significant amount of improper overpayments to providers. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. CMS is in the process of rolling out this program nationally. As such the Medical Center may be subject to such an audit at some time in the future. The final impact of this program cannot be quantified at this time.

Current Economic Conditions

The current economic environment presents organizations with unprecedented circumstances and challenges, which in some cases have resulted in large declines in the fair value of investments and other assets, large declines in contributions, constraints on liquidity and difficulty obtaining financing. The financial statements have been prepared using values and information currently available to the Medical Center.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain of the Medical Center's patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay and other payers may significantly impact net patient service revenue, which could have an adverse impact on the Medical Center's future operating results. Further, the effect of economic conditions on the state may have an adverse effect on cash flows related to the Medical program.

Given the volatility of current economic conditions the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments in investment values and allowances for patient receivables that could negatively impact the Medical Center's ability to maintain sufficient liquidity.

Skiff Medical Center

Required Supplementary Information
Schedule of Funding Progress for the Retiree Health Plan
For the Years Ended June 30, 2012 and 2011

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	July 1, 2008	$ --	$ 416,532	$ 416,532	0.0%	$ 19,942,000	2.1%
2010	July 1, 2008	$ --	$ 416,532	$ 416,532	0.0%	$ 17,377,000	2.4%
2011	July 1, 2010	$ --	$ 428,494	$ 428,494	0.0%	$ 16,694,000	2.6%
2012	July 1, 2010	$ --	$ 428,494	$ 428,494	0.0%	$ 17,624,000	2.4%

See Note 8 in the accompanying notes to financial statements for the plan description, funding policy, annual OPEB cost and net OPEB obligation, funded status and funding progress.

Skiff Medical Center

Required Supplementary Information
Budgetary Comparison Schedule of Revenue, Expenses and Changes in Net Assets
Budget and Actual (Cash Basis)
June 30, 2012 and 2011

	General	Accrual Adjustments	Cash Basis	Budgeted Amounts	Variance Favorable (Unfavorable)
Estimated other revenues / receipts	$ 38,370,512	(1,966,538)	36,403,974	36,398,008	5,966
Expenses / Disbursements	37,423,404	(997,709)	36,425,695	36,433,671	7,976
Net	947,108	(968,829)	(21,721)	(35,663)	$ 13,942
Balance beginning of year	24,148,311	(17,582,504)	6,565,807	6,565,807	
Balance end of year	$ 24,784,799	(18,551,333)	6,544,086	6,530,144	

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary prospective differences resulting from the Medical Center preparing a budget on the cash basis of accounting.

The Board of Trustees annually prepares and adopts a budget designating the amount necessary for the improvement and maintenance of the Medical Center on the cash basis following required public notice and hearing in accordance with Chapters 24 and 347 of the Code of Iowa. The Board of Trustees certifies the approved budget to the city council. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total expenditures.

For the year ended June 30, 2012, the Medical Center's expenditures did not exceed the amount budgeted.

Schedules of Net Patient Service Revenue
For the Years Ended June 30, 2012 and 2011

	2012				2011			
	Inpatient	Outpatient	Home Health and Hospice Services	Total	Inpatient	Outpatient	Home Health and Hospice Services	Total
DAILY PATIENT SERVICES:								
Medical and surgical	$ 4,946,530	392,675	--	5,339,205	4,710,922	208,853	--	4,919,775
Swing bed - skilled care	598,000	--	--	598,000	180,800	--	--	180,800
Coronary care	560,365	--	--	560,365	666,396	50	--	666,446
Obstetric	501,705	2,190	--	503,895	430,879	2,008	--	432,887
Nursery	233,700	--	--	233,700	239,235	--	--	239,235
	6,840,300	394,865	--	7,235,165	6,228,232	210,911	--	6,439,143
OTHER NURSING SERVICES:								
Operating room	4,594,146	4,937,912	--	9,532,058	4,811,388	4,641,323	--	9,452,711
Emergency services	867,938	6,176,478	--	7,044,416	1,037,076	5,865,850	--	6,902,926
Hospice services	--	--	1,605,382	1,605,382	--	--	1,662,331	1,662,331
Home health services	--	--	1,409,104	1,409,104	--	--	1,673,231	1,673,231
Recovery room	250,581	745,981	--	996,562	269,405	747,842	--	1,017,247
Delivery and labor room	281,278	193,883	--	475,161	269,414	224,775	--	494,189
	5,993,943	12,054,254	3,014,486	21,062,683	6,387,283	11,479,790	3,335,562	21,202,635
OTHER PROFESSIONAL SERVICES:								
Pharmacy	2,288,151	4,152,883	--	6,441,034	1,969,335	2,970,686	--	4,940,021
Laboratory	1,599,487	3,736,631	--	5,336,118	1,546,435	3,188,596	--	4,735,031
CT scans	892,444	3,680,653	--	4,573,097	851,403	3,391,567	--	4,242,970
Anesthesiology	1,081,885	2,954,971	--	4,036,856	1,028,622	2,774,781	--	3,803,403
Clinics	--	3,895,943	--	3,895,943	--	3,230,844	--	3,230,844
Radiology and mammography	369,673	3,263,496	--	3,633,169	374,104	2,946,713	--	3,320,817
Nuclear scans and ultrasound	242,944	2,980,253	--	3,223,197	225,293	3,027,086	--	3,252,379
Physical therapy	486,687	2,328,931	119,324	2,934,942	311,602	1,977,722	141,255	2,430,579
Magnetic resonance imaging	241,483	2,599,905	--	2,841,388	172,170	2,079,763	--	2,251,933
Respiratory therapy	1,441,248	153,582	--	1,594,830	1,477,922	140,334	--	1,618,256
Electrocardiology and cardiovascular	347,759	1,207,944	--	1,555,703	362,170	1,148,413	--	1,510,583
Occupational therapy	470,801	372,212	88,875	931,888	172,049	246,045	60,075	478,169
Intravenous therapy	475,497	318,826	--	794,323	440,494	272,078	--	712,572
Sleep disorder	--	537,337	--	537,337	--	363,661	--	363,661
Sports rehabilitation	--	479,250	--	479,250	--	571,052	--	571,052
Speech therapy	55,071	385,858	5,160	446,089	43,368	353,768	3,655	400,791
Audiology	16,385	314,547	--	330,932	14,491	345,364	--	359,855
Blood transfusions	139,580	153,817	--	293,397	141,977	97,415	--	239,392
Cancer center	--	229,584	--	229,584	--	--	--	--
Cardiac rehabilitation	--	215,126	--	215,126	--	179,734	--	179,734
Alternative health services	--	15,610	--	15,610	--	10,765	--	10,765
Electroencephalography	1,910	9,073	--	10,983	1,433	9,551	--	10,984
Occupational health	--	--	--	--	--	152,551	--	152,551
	10,151,005	33,986,432	213,359	44,350,796	9,132,868	29,478,489	204,985	38,816,342
GROSS PATIENT SERVICE REVENUE	$ 22,985,248	46,435,551	3,227,845	72,648,644	21,748,383	41,169,190	3,540,547	66,458,120
LESS:								
Contractual adjustments and other deductions, primarily Medicare and Medicaid				(34,353,366)				(32,490,275)
Provision for bad debts				(2,852,497)				(2,391,730)
Charity care services and other discounts, based on charges forgone				(298,062)				(346,761)
NET PATIENT SERVICE REVENUE				$ 35,144,719				31,229,354

Skiff Medical Center **Exhibit 2**

Other Operating Revenue
For the Years Ended June 30, 2012 and 2011

	2012	2011
Grant revenue for home health services -		
Jasper County	$ 119,188	156,500
Iowa Department of Health and other grants	100,493	196,017
Total grant revenue for home health services	219,681	352,517
CMS Electronic health record incentive payment	1,744,156	226,414
Facilities management	355,126	350,436
Cafeteria and dietary revenue	210,306	200,864
Lifeline rental	110,888	112,701
Other grant revenue	110,838	74,849
Grants and contributions for hospice services	81,711	204,172
Gain on sale of capital assets	41,735	--
Clinic rental	13,509	57,799
Other	169,406	65,159
	$ 3,057,356	1,644,911

Skiff Medical Center **Exhibit 3**

Departmental Expenses
For the Years Ended June 30, 2012 and 2011

	2012				2011			
	Salaries and Benefits	Professional Fees and Purchased Services	Supplies and Other	Total	Salaries and Benefits	Professional Fees and Purchased Services	Supplies and Other	Total
NURSING SERVICES:								
Adult and pediatric	$ 1,941,945	115,567	147,627	2,205,139	1,593,347	142,597	89,606	1,825,550
Home health	911,421	63,131	114,606	1,089,158	1,039,479	69,340	119,485	1,228,304
Hospice	814,622	4,926	199,941	1,019,489	869,391	8,503	269,019	1,146,913
Nursing administration	420,632	2,472	14,598	437,702	464,622	6,580	33,818	505,020
Coronary care	336,221	55,317	9,559	401,097	283,696	120,922	10,144	414,762
	4,424,841	241,413	486,331	5,152,585	4,250,535	347,942	522,072	5,120,549
OTHER PROFESSIONAL SERVICES:								
Clinic	2,298,578	228,512	459,194	2,986,284	2,072,620	52,880	380,337	2,505,837
Operating and recovery room	934,411	69	1,834,152	2,768,632	884,860	14,455	1,884,334	2,783,649
Emergency room	2,262,917	323,359	176,275	2,762,551	2,124,703	295,924	144,210	2,564,837
Pharmacy	428,314	--	1,353,974	1,782,288	409,304	930	973,664	1,383,898
Radiology	1,073,280	159,106	410,843	1,643,229	1,024,701	107,653	527,416	1,659,770
Laboratory	775,048	195,499	598,607	1,569,154	735,369	183,348	513,566	1,432,283
Physical therapy	904,910	74,562	57,202	1,036,674	883,379	7,593	44,196	935,168
Anesthesiology	566,684	315,932	85,253	967,869	380,479	501,663	60,406	942,548
OB/delivery/nursery	628,216	117,385	59,813	805,414	623,182	98,804	40,529	762,515
Health information management	425,296	15,212	40,729	481,237	421,164	16,890	37,155	475,209
Respiratory therapy	336,540	4,267	39,649	380,456	326,991	1,761	43,697	372,449
Central services and supply	255,998	3,244	79,850	339,092	259,894	2,162	57,158	319,214
Occupational therapy	139,585	118,144	13,110	270,839	36,371	119,331	3,351	159,053
Audiology	74,067	2,325	118,145	194,537	71,290	1,390	147,223	219,903
Social services	180,470	--	13,004	193,474	182,851	142	15,049	198,042
Sleep lab	3,926	128,250	3,391	135,567	4,033	100,199	11,040	115,272
Cardiac rehab	113,083	--	3,319	116,402	101,073	--	1,602	102,675
Speech therapy	90,159	638	2,931	93,728	88,276	--	1,894	90,170
Cancer center	43,638	2,260	12,978	58,876	1,527	200	9,713	11,440
Electrocardiology	6,616	18,720	1,453	26,789	20,657	30,528	1,632	52,817
Alternative health	--	10,435	698	11,133	4,606	3,277	204	8,087
Occupational health	--	--	--	--	192,678	5,415	16,306	214,399
	11,541,736	1,717,919	5,364,570	18,624,225	10,850,008	1,544,545	4,914,682	17,309,235
GENERAL SERVICES:								
Plant operation and maintenance	410,134	65,154	828,346	1,303,634	399,073	97,426	813,109	1,309,608
Dietary	562,771	13,095	328,738	904,604	577,318	15,675	298,979	891,972
Housekeeping	256,091	2,518	59,607	318,216	298,541	1,723	58,677	358,941
Laundry and linen	123,968	--	18,522	142,490	125,850	137	15,067	141,054
	1,352,964	80,767	1,235,213	2,668,944	1,400,782	114,961	1,185,832	2,701,575
ADMINISTRATIVE SERVICES	2,777,340	844,850	867,590	4,489,780	2,382,387	832,235	747,576	3,962,198
NONDEPARTMENTAL:								
Employee benefits	3,599,658	--	--	3,599,658	3,000,953	--	--	3,000,953
Depreciation and amortization	--	--	2,582,707	2,582,707	--	--	2,322,022	2,322,022
Insurance	--	--	266,249	266,249	--	--	194,822	194,822
Interest	--	--	39,256	39,256	--	--	21,858	21,858
	3,599,658	--	2,888,212	6,487,870	3,000,953	--	2,538,702	5,539,655
	$ 23,696,539	2,884,949	10,841,916	37,423,404	21,884,665	2,839,683	9,908,864	34,633,212

Skiff Medical Center **Exhibit 4**

Patient Receivables and Allowance for Doubtful Accounts
For the Years Ended June 30, 2012 and 2011

ANALYSIS OF AGING:

	2012		2011	
Days Since Discharge	Amount	Percent of Total	Amount	Percent of Total
0 - 30	$ 6,041,763	54.72 %	5,368,025	60.49 %
31 - 60	1,258,066	11.39	1,130,612	12.74
61 - 90	1,053,973	9.54	584,036	6.58
91 - 120	725,472	6.57	477,895	5.38
120 - 150	593,076	5.37	309,202	3.48
> 150	1,369,837	12.41	1,006,058	11.33
	11,042,187	100.00 %	8,875,828	100.00 %
Less:				
Allowance for doubtful accounts	(1,291,004)		(1,206,738)	
Allowance for contractual adjustments	(4,684,926)		(3,385,453)	
	$ 5,066,257		4,283,637	

	2012	2011
NET DAYS REVENUE IN PATIENT ACCOUNTS RECEIVABLE	53.50 days	50.07 days
ALLOWANCE FOR DOUBTFUL ACCOUNTS:		
Balance, beginning of year	$ 1,206,738	1,241,792
Provision of uncollectible accounts	2,852,497	2,391,730
Recoveries of accounts previously written off	304,987	367,288
Accounts written off	(3,073,218)	(2,794,072)
Balance, end of year	$ 1,291,004	1,206,738

Skiff Medical Center **Exhibit 5**

Inventories / Prepaid Expenses
For the Years Ended June 30, 2012 and 2011

	2012	2011
INVENTORY:		
Operating room	$ 329,576	314,865
General stores	104,057	124,550
Pharmacy	79,246	73,177
	$ 512,879	512,592
PREPAID EXPENSES:		
Service contracts	$ 127,819	110,132
Insurance	25,293	36,532
Dues	19,946	20,094
	$ 173,058	166,758

Skiff Medical Center **Exhibit 6**

Financial Statistical Highlights
For the Years Ended June 30, 2012 and 2011

	2012	2011
Patient Days:		
Hospital -		
Adult and pediatric -		
Medicare	3,987	3,827
All other	1,959	1,935
Swing bed - skilled	1,486	452
Nursery	380	394
Hospice	818	863
	8,630	7,471
Discharges:		
Hospital -		
Adult and pediatric -		
Medicare	877	966
All other	621	691
Swing bed	165	90
	1,663	1,747
Average length of stay:		
Hospital -		
Adult and pediatric -		
Medicare	4.55	3.97
All other	3.15	2.80
Swing bed	9.01	5.03
Observation equivalent days	332	117
Surgical procedures	3,452	3,544
Emergency Room visits	9,903	9,507
Clinic visits	11,899	9,740
Home Health visits	5,734	6,989
Total Hospice days and visits	5,748	5,895
Full-time equivalents personnel	299.18	282.83

SEIM JOHNSON

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees of
Skiff Medical Center
Newton, Iowa:

We have audited the financial statements of Skiff Medical Center (Medical Center) as of June 30, 2012, and have issued our report thereon dated October 22, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Medical Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Medical Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part III of the accompanying schedule of findings and responses.

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Seim Johnson, LLP › 18081 Burt Street, Suite 200 › Omaha, NE 68022-4722 › Tel: 402.330.2660 › Fax: 402.330.5108 › SeimJohnson.com

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of the Medical Center and other parties to whom the Medical Center may report. This report is not intended to and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Medical Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Omaha, Nebraska,
October 22, 2012.

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Skiff Medical Center

Schedule of Findings and Responses
June 30, 2012

Part I: Summary of the Independent Auditor's Results

(a) An unqualified opinion was issued on the financial statements.

(b) There were no significant deficiencies or material weaknesses in internal control over financial reporting disclosed by the audit of the financial statements.

(c) The audit did not disclose any non-compliance or other matters which are material to the financial statements.

Part II: Findings Related to the Financial Statements

There were no findings related to the financial statements reported.

Part III: Other Findings Related to Required Statutory Reporting

III-A-12 Official Depositories: A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.

III-B-12 Certified Budget: Medical Center disbursements during the year ended June 30, 2012 did not exceed budgeted amounts.

III-C-12 Questionable Expenditures: We noted no expenditures that we believe would be in conflict with the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-12 Travel Expense: No expenditures of Medical Center money for travel expenses of spouses of Medical Center officials and/or employees were noted.

III-E-12 Business Transactions: No business transactions were found between Medical Center and Medical Center officials and/or employees.

III-F-12 Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

III-G-12 Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

Skiff Medical Center

Audit Staff
For the Year Ended June 30, 2012

This audit was performed by:

Harvey D. Johnson, FHFMA, CPA, Partner

Darren R. Osten, CPA, Manager

Amanda L. Schultz, CPA, In-Charge

Megan L. Parks, Associate